




State of Arizona
Office of the Auditor General

Arizona Prosecuting Attorneys'
Advisory Council
October 16, 2014

Lindsey Perry, CPA, CFE
George Graham, CFE
Managers, Special Investigative Unit






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Today's Outline

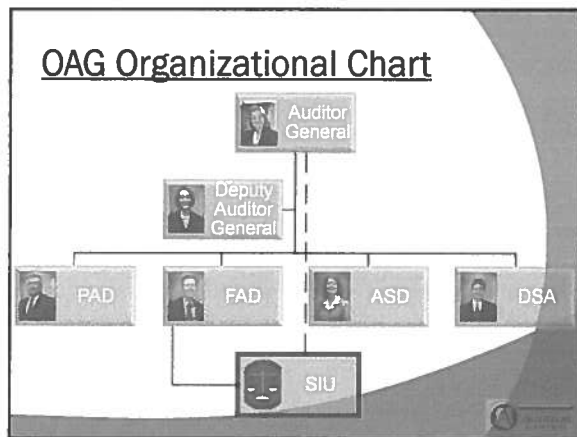
- ◉ Auditor General's Office
- ◉ Special Investigative Unit
 - Background
 - Investigative Process
 - Case Examples



Office of the Auditor General


- ◉ Arizona Revised Statutes provide authority
- ◉ Independent, legislative agency
- ◉ Audit and oversight of state and local governmental entities
- ◉ Up to 200 reports annually
- ◉ 4 Divisions





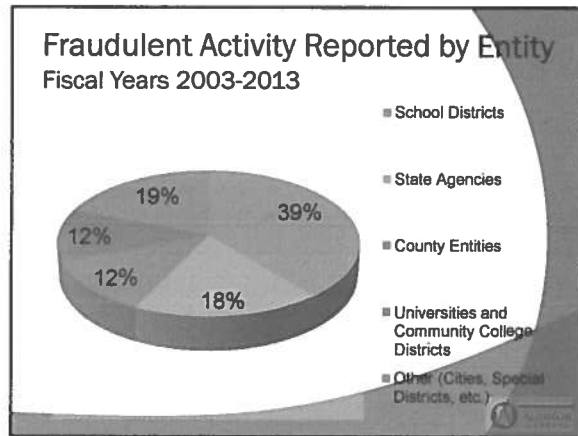
SIU-Special Investigative Unit

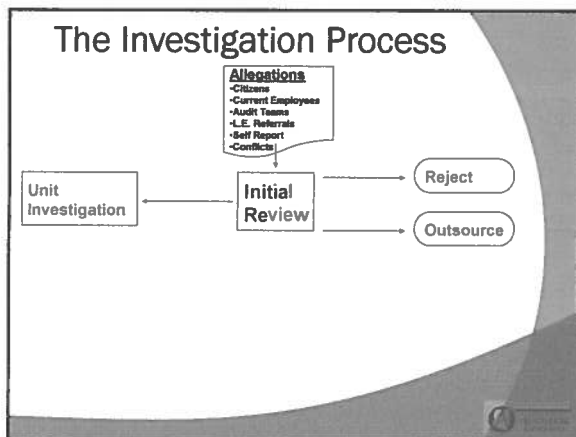
- Established in 1988
- Staff credentials:
 - Certified Public Accountants
 - Certified Fraud Examiners
 - Min. 40 hours of continuing education per year
- Fraud, waste, and abuse of **public monies**
 - Conduct investigations
 - Issue reports
 - Assist law enforcement agencies
 - Serve as a resource for other divisions and governmental entities



Criminal Statutes

- Theft
- Fraud Schemes
- False Filing
- Forgery
- Perjury
- Tampering with a public document
- Misuse of Public Monies A.R.S. 35-301
- Conflict of Interest A.R.S. 38-510





Unit Investigation

- ⊙ Obtain physical documents and computer data. Gather agencies' policies and procedures, and obtain understanding of actual processes performed
- ⊙ Analyze information

Analysis Example – H.S. Bookstore Case

- Bookstore Manager
 - Scheme spanned July 2007 – November 2009
 - Theft & Misuse = \$72,511
 - 323 instances of false filing
- Reviewed data/documents July 2005 – June 2010
 - 35,000 data records
 - 20,000 receipts
 - 2,400 cash register and deposit reports
 - 5 years' annual tax returns
 - 6 personal bank and credit accounts
 - 15+ interviews

Cash Register Tape

■ Summary Tape

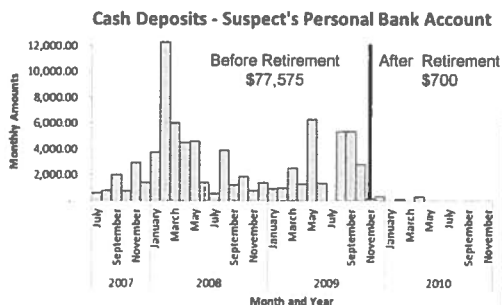
- Lists the total count and amount collected for all transactions per category
- The “Z” report = resets register to zero and produces a unique, sequential number

TOTAL
 29CU 1263.15
 CASH ID 519.15
 CHECK ID 26
 745.00
 0074Z
 9724 05143TH
 10-02-09 61

Cash Register Z-Report Analysis

Month	Fiscal Year				
	06/06	06/07	07/08	08/09	09/10
July	0	0	1	5	3
August	0	0	0	10	16
September	0	1	0	9	18
October	0	0	4	19	17
November	1	0	13	13	5
December	0	0	8	5	
January	0	0	12	14	
February	0	0	11	16	
March	0	0	14	17	
April	1	0	8	15	
May	0	1	23	27	
June	0	0	0	0	
Total Instances	2	2	64	150	69

Bank Account Analysis: Cash Deposits



Bank Account Analysis: Expenditures

Table: Personal Bank Account - Average Monthly Transactions		
Expenses	Total for Period	Monthly Average
Retail	18,810.26	833.80
Monthly Household Expenses	8,763.66	486.87
Personal Debt	8,745.89	374.78
Entertainment	5,510.82	300.15
Grocery/Restaurant	4,879.80	276.98
Travel	4,597.31	255.41
ATM/Non ATM Withdrawals & Fees	4,480.50	248.47
Pet Expenses	2,730.47	151.69
Vehicle Expenses	2,802.81	144.80
Beauty & Health Expenses	2,105.00	116.94
Legal Expenses	1,887.80	110.99
Insurance	1,817.50	100.98
Gas Station	1,351.09	75.06
School Expenses	500.00	27.78
Bank Charges	288.85	15.84
Miscellaneous	185.95	10.33
Medical	161.00	8.94
Charity	41.50	2.28
Total Expenses	\$ 88,677.55	\$ 3,548.75

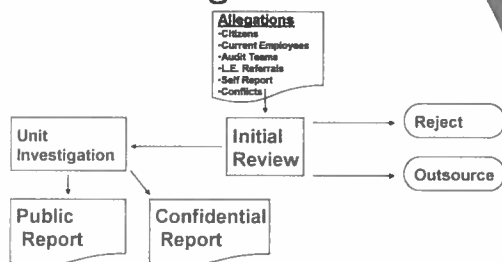
Bank Account Analysis: Expenditures

Fiscal Year	Month	Minimum Monthly Payment	Total Monthly Payments	Number of Payments	Total Amount Paid Over Minimum Monthly Payment
Prior Retirement	February 2009	329.70	659.58	2	329.70
	March 2009	329.70	330.00	1	0.21
	April 2009	329.70	1,320.00	4	990.21
	May 2009	329.70	1,060.00	3	730.21
	June 2009	329.70	660.00	2	330.21
	July 2009	329.70	660.00	2	330.21
	August 2009	329.70	1,330.00	2	1,000.21
	September 2009	329.70	1,330.00	2	1,000.21
	October 2009	329.70	330.00	1	0.21
	November 2009	329.70	500.00	1	170.21
	Total Prior Retirement	\$ 3,297.90	\$ 8,189.68	20	\$ 4,891.66
Post Retirement	December 2010	329.70	330.00	1	0.21
	January 2010	329.70	330.00	1	0.21
	February 2010	329.70	330.00	1	0.21
	March 2010	329.70	330.00	1	0.21
	April 2010	329.70	330.00	1	0.21
	May 2010	329.70	330.00	1	0.21
Total Post Retirement		\$ 1,978.74	\$ 1,980.00	6	\$ 1.26

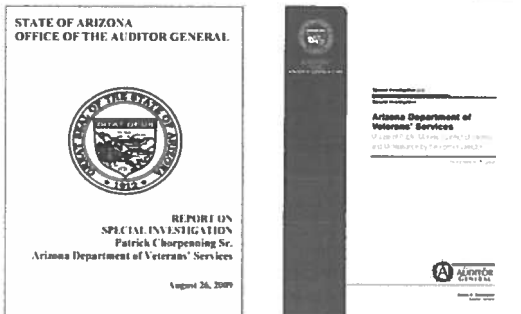
Unit Investigation

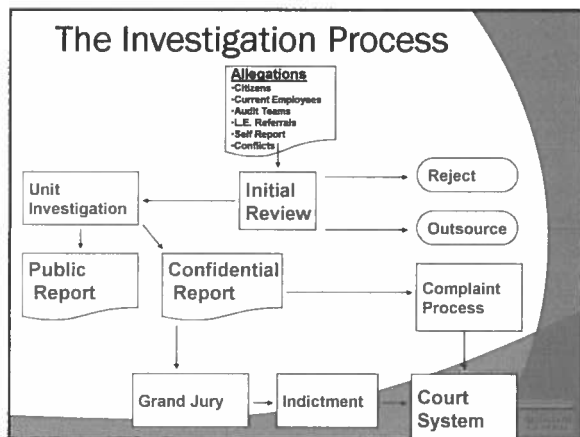
- Obtain physical documents and computer data. Gather agencies' policies and procedures, and obtain understanding of actual processes performed
- Analyze information
- Conduct interviews
 - Witnesses
 - Suspects
 - Other interested parties

The Investigation Process





Confidential and Public Reports






CASE EXAMPLES:

Pinal County Manager – Stanley Griffis

What We Uncovered

- SVTP Account Theft
 - \$428,000
- Tax Fraud and Theft
 - \$37,000
- Pension Fraud and Theft
 - \$28,000 overpaid -> Reduction to Benefit
- Credit Card and Travel Theft
 - \$3,250



Arizona Department of Veterans' Services
Director – Patrick Chorpenning Sr.

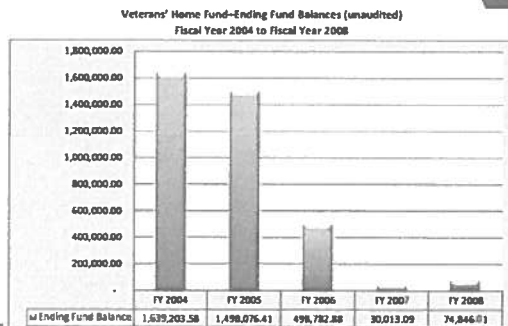


Analysis

- ◎ Director Chorpenning
 - ◎ Scheme spanned July 2002 – September 2007
 - ◎ Misuse, C of I, Procurement Fraud = \$1 million+
- ◎ Reviewed data/documents
 - ◎ 15 GB data records
 - ◎ ADVS E-mail server
 - ◎ 3,000 donation fund revenues/expenditures
 - ◎ 1,000 home fund expenditures
 - ◎ Sources: ADVS, ASU, SPO, Gov Office, Vendors
 - ◎ 50+ interviews

Dates	Description	Procurement Violations	Conflict of Interest	Misuse of Public Monies
12/02-6/03	Employment of Patrick Chorpenning Jr. at ADVS	-	\$40,302.51	-
6/03-4/05	Employment of Jr at ASU through ISA -with ADVS	-	175,681.58	-
2/04-3/07	Employment of Cornelia Chorpenning at ADVS	-	114,103.53	-
10/02-3/04	Donation Fund Payments – Veteran's First Limited	-	-	37,000
11/03-3/07	Donation Fund Payments – Employee Recognition	-	-	38,595
9/03-9/07	Donation Fund Payments – Enduring Freedom Memorial	-	-	213,200
7/02-4/05	Donation Fund Payments – Go Media	382,757	-	124,489
Total By Category		\$382,757	\$330,888	\$413,284
Total Violations		\$1,001,640		

Financial Analysis: Impact



Benefits of SIU's Assistance

- Knowledge of governmental recordkeeping and accepted procedures
- Ability to gain documents and interviews without subpoenas or search warrants
 - Statutes that grant us accessibility to otherwise confidential information
- Proven experience:
 - Forensic accounting investigations
 - Report writing for prosecution
 - Testifying for prosecution

Resources

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